

SCHEDULE VA — CONSOLIDATED VALUATION ALLOWANCES

*Throughout these instructions, **you** and **your** refers to the reporting savings association and its consolidated subsidiaries; **we** and **our** refers to the Office of Thrift Supervision.*

GENERAL INSTRUCTIONS

This schedule reports the combined activity for the period in all valuation allowance accounts. The reconciliation consists of three columns:

1. General valuation allowances, including allowances for loan and lease losses, ALLL.
2. Specific valuation allowances, including valuation allowances established for assets classified as loss.
3. Total valuation allowances. The EFS software generates this column.

Valuation allowances are contra-asset accounts that reduce the recorded investment in an asset to its carrying amount. In preparing financial statements, management should review the carrying amount of all assets and adjust the related valuation allowances as necessary. Assessing the adequacy of valuation allowances is crucial to preparing the financial statement.

The ending balance in a valuation allowance account is the balance at the beginning of the period adjusted for the activity during the period. The following table shows the types of activity that flow through the valuation allowance account:

Beginning Balance (ending balance from previous period)

Add:

Provision for Loss

Recoveries

Acquisitions

Deduct:

Charge-offs

Ending Balance

Charge-offs

When you charge off an asset, the accounting entries reduce the total recorded investment of the asset and reduce the valuation allowance. However, since the carrying value is the recorded investment less the specific valuation allowance, the carrying value decreases when you charge-off a general valuation allowance. The carrying value does not change when you charge-off a specific valuation allowance. Record direct charge-offs in this schedule even though there is no valuation allowance relating to the asset. You should also record a charge-off if the established valuation allowance is inadequate to absorb the entire charge-off. You can record a charge-off against either a general or specific valuation allowance.

The **Sales** section discusses eliminating valuation allowances when you sell the related asset.

Recoveries

A **recovery** is a payment received after you charge-off an asset. A recovery increases both the general valuation allowance and cash accounts.

In Schedule VA, recoveries do not include profits from assets that you had previously written down and later sold at a price exceeding the carrying value. For example, you would record profits from the sale of REO as a gain on the sale.

Provision for Loss

Calculate the provision for loss as the amount required to establish the appropriate ending balance in the valuation allowance account. You should base the amount of the ending balance on your management's review of the following:

- An assessment of all assets.
- Valuation calculations for troubled real estate assets.
- Estimates of credit and other losses inherent in the portfolios of homogeneous assets.
- The results of your self-classification of assets.

The following formula reconciles the provision for loss with the valuation allowance accounts:

+	The valuation allowance ending balance per analysis (VA165 and 168)
-	The valuation allowance beginning balance (VA105 and 108)
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=	Net change in valuation allowances
+	Charge-offs (including sales) (VA155 and 158)
-	Acquisitions (VA145 and 148)
-	Recoveries (VA135)
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=	Provision for loss (VA115 and 118)
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The process of determining the appropriateness of the ending balances in valuation allowance accounts results in the provision for loss being a net adjustment. For example, in the rare circumstance that a troubled real estate asset with a valuation allowance increases in value, you should adjust the required valuation allowance downward. This increase in the asset's value is a reduction of the current provision.

Do not confuse this with a recovery of assets previously charged-off discussed above. Carefully analyze the total valuation allowance before you record a gain or reduction of the provision for loss.

The total provision for loss consists of the provision for loss on interest-bearing assets, SO321, and the provision for loss on non-interest-bearing assets, SO570. Do not include the LOCOM adjustments for assets held for sale, SO465, because LOCOM adjustments are due to changes in interest rates, and not due to credit losses. You should not establish a valuation allowance for the credit to assets resulting from LOCOM adjustments, but rather should directly reduce the asset.

You may record a negative provision for loss when management determines that the valuation allowance is higher than required. If this occurs, management should consider whether it has analyzed all possible situations and determine if the previously established valuation allowances were higher than necessary. To reverse a portion of the valuation allowance, report a negative amount in the provision for loss on SO321 or SO570.

Sales

When you sell an asset with a previously established valuation allowance or that had been reduced by a direct charge-off, compute the gain or loss as follows: Sales price minus the asset's carrying value, which is net of the specific valuation allowance and charge-off.

The sale of an asset in excess of its carrying value is not a recovery when reconciling valuation allowances. Do not report profits from this type of sale in the net provision for loss. Report the profit as a gain on sale.

To remove an existing specific valuation allowance after selling the related asset, you must report the valuation allowance on VA158, Charge-offs of Specific Valuation Allowances.

Foreclosures

In cases involving foreclosure, including in-substance foreclosure, compare the **recorded investment** to the current fair value less cost to sell. Classify as **loss** any excess of recorded investment over fair value less cost to sell. Record this excess as a charge-off against the existing specific valuation allowance. If the specific valuation allowance is not sufficient to absorb the loss, you should record an additional charge-off against the loan. Record assets acquired through in-substance foreclosures as REO at the fair value less cost to sell at date of transfer. You should apply the same procedures described above.

VALUATION ALLOWANCE RECONCILIATION

VA105, 108, AND 110: BEGINNING BALANCE

The EFS software automatically generates these beginning balances from the prior quarter's ending balances. Generally, these data fields must equal the amounts reported on VA165, 168 and 170 from the immediately preceding reporting periods.

Special instructions for Purchase mergers:

Report the beginning balance of the surviving association only. Typically you should record assets at fair value and write-off all valuation allowances directly against the asset. However, under certain circumstances you may carry valuation allowances over to the surviving association. This applies primarily to general valuation allowances. Report valuation allowances on purchased assets on VA145, 148, and 150, Adjustments.

ADD OR DEDUCT:

Report increases in valuation allowance accounts, net credits, as positive numbers and decreases in valuation allowance accounts, net debits, as negative numbers.

VA115, 118, and 120: Net Provision for Loss

The EFS software automatically generates the total net provision for loss, VA120, from SO321 plus SO570. The EFS software also automatically generates VA118 after you enter VA115.

A net credit to assets increases valuation allowances and charge-offs and flows through to the Statement of Operations as a debit, which is an expense. You should report a net credit as a positive number. Conversely, a net debit to assets decreases valuation allowances and flows through to the Statement of Operations as a credit or income. Report a net debit as a negative number on these lines.

VA125 and 128: Transfers

Report transfers between general and specific valuation allowances. VA125 and VA128 will have opposite signs even though they are always equal. Once you enter VA125, the transfer from general valuation allowances, the EFS software automatically generates VA128, the corresponding transfer to specific valuation allowances.

ADD:

VA135 and 140: Recoveries

You should report any amount recovered during the quarter due to repayment of assets previously charged off. Refer to the discussion of recoveries in the general instructions to Schedule VA. VA135 always equals VA140, and VA 140 is the sum of VA31, 381, 41, 51, 821, and 931. Therefore, once you enter VA31, 381, 41, 51, 821, and 931, the EFS software automatically sums these and generates VA135 and 140.

VA145, 148, and 150: Adjustments

Acquisitions

Report the amount of valuation allowances on assets you purchased but for which you did not take a direct charge-off. Under certain circumstances, you may carry the existing valuation allowances of assets that you purchase forward to your books. You should include any valuation allowances acquired in a business combination accounted for under the purchase method. You should also include necessary adjustments that resulted from purchasing or selling a consolidated subsidiary, where the valuation allowances on the books of the subsidiary are consolidated with yours. The EFS software automatically generates VA150, which is the sum of VA145 and VA148.

Adjustments for Charge-Offs on Credit Card Loans

On VA145, report as a positive number that portion of charge-offs included on VA580 that reduce an account other than a valuation allowance (for example, interest income). This reporting will permit the valuation allowance reconciliation to balance, because on VA580 you should report **all** charge-offs on credit card loans, including those that do not reduce valuation allowances.

Do not include:

Additional valuation allowances established after an acquisition, even if previous management should have established the valuation allowances. Report such additions to the valuation allowances in VA120, Net Provision for Loss.

DEDUCT:**VA155, 158 and 160: Charge-Offs**

VA155 equals the sum of the charge-off detail below, VA30, 380, 40, 50, 60, 70, 820, and 930. The EFS software automatically generates VA 155 once you enter charge-offs on VA30, 380, 40, 50, 60, 70, 820, and 930. The software also generates VA160, total charge-offs. VA160 is the sum of VA155, charge-offs against general valuation allowances, and VA158, charge-offs against specific valuation allowances.

Report charge-offs as positive amounts, since we deduct them from the ending valuation allowance balance.

If there is no specific valuation allowance established for the asset you are charging off, report charge-offs in the detail below and on VA155. If there is a specific valuation allowance for the asset, report the charge-off on VA158 for purposes of reconciliation. You should not report charge-offs of specific valuation allowances in the detail below because they have no effect on the balance sheet, Schedule SC, or on the income statement, Schedule SO.

Include:

1. Charge-offs to mark repossessed assets, including in-substance foreclosures, to fair value.
2. Charge-offs to eliminate valuation allowances of sold assets. See **Sales** above.
3. Charge-offs on credit card loans that do not reduce valuation allowances, as described in the instructions for VA580.

Do not include:

1. Charge-offs due to recognizing unrealized losses on trading assets.
2. Charge-offs in connection with marking assets to market in a business combination accounted for as a purchase.

VA165, 168 AND 170: ENDING BALANCE

The EFS software automatically generates these balances as the sum of the General, Specific, and Total columns, and brings them forward as the beginning balances for the next reporting period. VA165 must equal the sum of the general valuation allowances that you reported in Schedule SC on SC199, SC227, SC283, SC357, SC441, SC481, SC529 and SC699.

CHARGE-OFFS, RECOVERIES, AND SPECIFIC VALUATION ALLOWANCE ACTIVITY

CHARGE-OFFS

Report the amount of loss that you charged off during the quarter against general valuation allowances. You should only include charge-offs for which no specific valuation allowance has previously been established.

The sum of VA30, 380, 40, 50, 60, 70, 820, and 930 must equal VA155. The EFS software automatically generates VA 155 once you enter charge-offs on VA30, 380, 40, 50, 60, 70 820 and 930.

VA30: Deposits, and Investment Securities

Report the amount of loss that you charged off on all deposits and investment securities reported on SC110 through SC190.

VA380: Mortgage Pool Securities

Report the amount of loss that you charged off on SC210 through SC215, Mortgage Pool Securities.

Mortgage Loans:

Report charge-offs of mortgage loans, accrued interest receivable, and advances for taxes and insurance in the appropriate mortgage loan category below.

Include charge-offs to mark repossessed assets to fair value at the date of foreclosure.

VA40: Total

The EFS software automatically generates this amount as the sum of VA420, 430, 440, 450, 460, 470, 480, and 490.

Construction:

VA420: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC230, Construction Loans on 1-4 Dwelling Units.

VA430: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC235, Construction Loans on 5 or More Dwelling Units.

VA440: Nonresidential Property

Report the amount of loss that you charged off on SC240, Construction Loans on Nonresidential Property.

Permanent:**VA450: 1-4 Closed-End First Mortgages and Junior Liens**

Report the amount of loss that you charged off on SC250, Permanent Mortgages on Closed-End First Mortgages and Junior Liens.

VA460: 1-4 Revolving, Open-End Loans

Report the amount of loss that you charged off on SC253, Permanent Mortgages on Revolving, Open-End Loans.

VA470: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC256, Permanent Mortgages on 5 or More Dwelling Units.

VA480: Nonresidential Property (Except Land)

Report the amount of loss that you charged off on SC260, Permanent Mortgages on Nonresidential Property.

VA490: Land

Report the amount of loss that you charged off on SC265, Permanent Mortgages on Land.

Nonmortgage Loans

Report charge-offs of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA50: Total

The EFS software automatically generates this line as the sum of VA520, 530, 540, 550, 560, 570, and 580.

VA520: Commercial

Report the amount of loss that you charged off on SC300, Secured Commercial Loans, SC303, Unsecured Commercial Loans, and SC306, Commercial Financing Leases.

Consumer (Closed-End):**VA510: Loans on Deposits**

Report the amount of loss that you charged off on SC310, Consumer Loans on Deposits.

VA516: Home Improvement Loans

Report the amount of loss that you charged off on SC316, Consumer Home Improvement Loans.

VA530: Education Loans

Report the amount of loss that you charged off on SC320, Consumer Education Loans.

VA540: Auto Loans

Report the amount of loss that you charged off on SC323 Consumer Auto Loans.

VA550: Mobile Home Loans

Report the amount of loss that you charged off on SC326, Consumer Mobile Home Loans.

VA560: Other

Report the amount of loss that you charged off on SC330, Other Closed-End Consumer Loans.

Consumer (Open-End):**VA570: Revolving Loans Secured by 1-4 Dwelling Units**

Report the amount of loss that you charged off on SC340, Revolving Open-End Consumer Loans Secured by 1-4 Dwelling Units.

VA580: Credit Cards and Related Plans

Report the amount of loss that you charged off on SC345, Consumer Credit Cards and Related Plans.

Report **all** charge-offs on credit card loans, including those that reduce accounts other than valuation allowances. For example, include charge-offs of accrued interest receivable that reduce interest income reported on SO170, Interest Income on Consumer Loans.

Reposessed Assets:

Report all direct charge-offs on reposessed assets. You should mark reposessed assets to fair value at the date of foreclosure and charge the markdown against the loan balance.

VA60: Total

The EFS software automatically generates this amount as the sum of VA605 through VA630.

Real Estate:**VA605: Construction**

Report the amount of loss that you charged off on SC405, Repossessed Real Estate Construction.

VA613: 1-4 Dwelling Units

Report the amount of loss that you charged off on SC415, Repossessed 1-4 Dwelling Unit Real Estate.

VA616: 5 or More Dwelling Units

Report the amount of loss that you charged off on SC425, Repossessed 5 or More Dwelling Unit Real Estate.

VA625: Nonresidential (Except Land)

Report the amount of loss that you charged off on SC426, Repossessed Nonresidential Real Estate, Except Land.

VA628: Land

Report the amount of loss that you charged off on SC428, Repossessed Land.

VA630: Other Reposessed Assets

Report the amount of loss that you charged off on SC430, Other Reposessed Assets.

VA70: Real Estate Held for Investment

Report the amount of loss that you charged off on SC45, Real Estate Held for Investment.

VA820: Equity Investments Not Subject to SFAS No. 115

Report the amount of loss that you charged off on SC50, Investments in Subordinate Organizations.

VA930: Other Assets

Report the amount of loss that you charged off on SC690, Other Assets.

Do not include:

1. Write-downs of office buildings, leasehold improvements, furniture, fixtures, equipment, and automobiles. Report these write-downs as an adjustment of depreciation on SO440, Net Income (Loss) from Office Building Operations, and SO530, Office Occupancy and Equipment Expense.
2. Write-downs on SC660, Goodwill and Other Intangible Assets. Report these write-downs as an adjustment of amortization on SO560, Amortization of Goodwill.

RECOVERIES

Report the amount of recoveries during the quarter due to the repayment of assets previously charged off in the recovery column. For additional information, see the general instructions to Schedule VA.

The EFS software automatically generates VA 135 once you enter recoveries on VA31, 381, 41, 51, 821, and 931

Do not include:

1. Sale of an asset at a sales price exceeding the carrying value. Report this amount in income on SO430 and SO467 through SO477.
2. Payments received on assets for which a valuation allowance has been established. Adjust the ending balance of the valuation allowance appropriately.

VA31: Deposits, and Investment Securities

Report the amount of recoveries on all deposits and investment securities that you reported on SC110 through SC190.

VA381: Mortgage Pool Securities

Report the amount of recoveries on mortgage pool securities that you reported on SC210 through SC215.

Mortgage Loans

Include recoveries of accrued interest receivable and advances for taxes and insurance in the appropriate mortgage loan category below. Report recoveries on deficiency judgments in the mortgage loan category to which the judgment applies.

VA41: Total

Report the sum of VA421, 431, 441, 451, 461, 471, 481, and 491. The EFS software automatically generates this amount.

Construction:**VA421: 1-4 Dwelling Units**

Report the amount of recoveries on SC230, Construction Loans on: 1-4 Dwelling Units.

VA431: 5 or More Dwelling Units

Report the amount of recoveries on SC235, Construction Loans on: 5 or More Dwelling Units.

VA441: Nonresidential Property

Report the amount of recoveries on SC240, Construction Loans on: Nonresidential Property.

Permanent:**VA451: 1-4 Closed-End First Mortgages and Junior Liens**

Report the amount of recoveries on SC250, Permanent Mortgages on: Closed-End First Mortgages and Junior Liens.

VA461: 1-4 Revolving, Open-End Loans

Report the amount of recoveries on SC253, Permanent Mortgages on: Revolving, Open-End Loans.

VA471: 5 or More Dwelling Units

Report the amount of recoveries on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

VA481: Nonresidential Property (Except Land)

Report the amount of recoveries on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

VA491: Land

Report the amount of recoveries on SC265, Permanent Mortgages on: Land.

Nonmortgage Loans

Report recoveries of nonmortgage loans and accrued interest receivable in the appropriate loan category below.

VA51: Total

Report the sum of VA521, 531, 541, 551, 561, 571, and 581. The EFS software automatically generates this amount.

VA521: Commercial

Report the amount of recoveries on Commercial Loans on SC300, Commercial Loans: Secured, SC303, Commercial Loans: Unsecured, and SC306, Commercial Loans: Financing Leases.

Consumer (Closed-End):**VA511: Loans on Deposits**

Report the amount of recoveries on SC310, Closed-End Consumer Loans: Loans on Deposits.

VA517: Home Improvement Loans

Report the amount of recoveries on SC316, Closed-End Consumer Loans: Home Improvement Loans.

VA531: Education Loans

Report the amount of recoveries on SC320, Closed-End Consumer Loans: Education Loans.

VA541: Auto Loans

Report the amount of recoveries on SC323, Closed-End Consumer Loans: Auto Loans.

VA551: Mobile Home Loans

Report the amount of recoveries on SC326, Closed-End Consumer Loans: Mobile Home Loans.

VA561: Other

Report the amount of recoveries on SC330, Closed-End Consumer Loans: Other, Including Leases.

Consumer (Open-End):**VA571: Revolving Loans Secured by 1-4 Dwelling Units**

Report recoveries on SC340, Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units.

VA581: Credit Cards and Related Plans

Report the amount of recoveries on SC345, Open-End Consumer Loans: Unsecured, Including Credit Cards and Other.

VA821: Equity Investments Not Subject to SFAS No. 115

Report the amount of recoveries on unsecured loans to subordinate organizations included in SC50, Investments in Unconsolidated Subordinate Organizations.

Do not include:

Sales of subsidiaries at a price above the carrying value. Report these sales on SO477, Net Income (Loss) From: Sale of Other Assets Held for Investment.

VA931: Other Assets

Report the amount of recoveries on all other financial assets that you did not include above. Include recoveries on miscellaneous receivables that you reported on SC690, Other Assets.

Do not include:

1. Gains on the sale of REO. Report these gains on SO461, Operations and Sale of Repossessed Assets.
2. Recoveries on deficiency judgments or other recoveries of loans foreclosed upon. Report these recoveries as a recovery of the loan in the appropriate loan category above.

SPECIFIC VALUATION ALLOWANCE PROVISIONS & TRANSFERS FROM GENERAL ALLOWANCES

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances during the quarter. This applies to any specific valuation allowance activity with the exception of charge-offs and acquisitions.

The sum of VA32, 382, 42, 52, 62, 72, 822, and 932 must equal the sum of VA118 and 128.

VA32: Deposits, and Investment Securities

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on all deposits and investment securities that you reported on SC110 through SC190.

VA382: Mortgage Pool Securities

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC210 through SC215, Mortgage Pool Securities.

Mortgage Loans:

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of mortgage loans in the appropriate mortgage loan category below. You should report specific valuation allowance activity of accrued interest receivable and advances for taxes and insurance in the appropriate mortgage loan category of the related loan.

VA42: Total

Report the sum of VA422, 432, 442, 452, 462, 472, 482, and 492. The EFS software automatically generates this amount.

Construction:**VA422: 1-4 Dwelling Units**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC230, Construction Loans on: 1-4 Dwelling Units.

VA432: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC235, Construction Loans on: 5 or More Dwelling Units.

VA442: Nonresidential Property

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC240, Construction Loans on: Nonresidential Property.

Permanent:**VA452: 1-4 Closed-End First Mortgages and Junior Liens**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC250, Permanent Mortgages on: Closed-End First Mortgages and Junior Liens.

VA462: 1-4 Revolving, Open-End Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC253, Permanent Mortgages on: Revolving, Open-End Loans.

VA472: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC256, Permanent Mortgages on: 5 or More Dwelling Units.

VA482: Nonresidential Property (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC260, Permanent Mortgages on: Nonresidential Property.

VA492: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC265, Permanent Mortgages on: Land.

Nonmortgage Loans

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of mortgage loans in the appropriate nonmortgage loan category below. You should report specific valuation allowance activity of accrued interest receivable in the related loan category.

VA52: Total

Report the sum of VA522, 512, 518, 532, 542, 552, 562, 572, and 582. The EFS software automatically generates this amount.

VA522: Commercial

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC300, Commercial Loans: Secured Other than Mortgage, SC303, Commercial Loans: Unsecured, and SC306, Commercial Loans: Financing Leases.

Consumer (Closed-End):**VA512: Loans on Deposits**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC310, Closed-End Consumer Loans: Loans on Deposits.

VA518: Home Improvement Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC316, Closed-End Consumer Loans: Home Improvement Loans.

VA532: Education Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC320, Closed-End Consumer Loans: Education Loans.

VA542: Auto Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC323, Closed-End Consumer Loans: Auto Loans.

VA552: Mobile Home Loans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC326, Closed-End Consumer Loans: Mobile Home Loans.

VA562: Other

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC330, Closed-End Consumer Loans: Other, Including Leases.

Consumer (Open-End):**VA572: Revolving Loans Secured by 1-4 Dwelling Units**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC340, Open-End Consumer Loans: Revolving Loans Secured by 1-4 Dwelling Units.

VA582: Credit Cards and Related Plans

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC345, Open-End Consumer Loans: Credit Cards and Related Plans.

Reposessed Assets:

Report the provision for loss established for specific valuation allowances and the transfers between general valuation allowances of reposessed assets after the date of foreclosure. Do not include adjustments to mark reposessed assets to fair value at the date of foreclosure. These adjustments should be charged off against the loan balance and reported on VA420 through VA580.

VA62: Total

Report the sum of VA606, 614, 617, 626, 629, and 632. The EFS software automatically generates this amount.

Real Estate:**VA606: Construction**

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC405, Repossessed Assets: Real Estate: Construction.

VA614: 1-4 Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC415, Repossessed Assets: Real Estate: 1-4 Dwelling Units.

VA617: 5 or More Dwelling Units

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC425, Repossessed Assets: Real Estate: 5 or More Dwelling Units.

VA626: Nonresidential (Except Land)

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC426, Repossessed Assets: Real Estate: Nonresidential (Except Land).

VA629: Land

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC428, Repossessed Assets: Real Estate: Land.

VA632: Other Repossessed Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC430, Other Repossessed Assets.

VA72: Real Estate Held for Investment

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC45, Real Estate Held for Investment.

VA822: Equity Investments Not Subject to SFAS No. 115

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC50, Investments in Subordinate Organizations.

VA932: Other Assets

Report the amount of provision for loss established for specific valuation allowances and the transfers between general valuation allowances on SC690, Other Assets.

TOTAL

The EFS software automatically generates this column.

This column totals:

- Charge-offs
- Less Recoveries
- Plus specific valuation allowance provisions and transfers from general allowances

Therefore, this total represents **adjusted net charge-offs**.

OTHER ITEMS

Troubled Debt Restructured

A **troubled debt restructuring** occurs when you provide the borrower certain concessions that you would not normally consider. You may grant these concessions only because the borrower is having financial difficulty and your objective must be to maximize recovery of your investment. Troubled debt restructurings often, but not always, result from legal proceedings or negotiations between parties.

You may accept any of the following when you restructure a troubled debt:

1. A note, secured or unsecured, from a third party as payment of your receivable from the borrower.
2. The underlying collateral as payment-of the loan, either through foreclosure, other title transfer, or in-substance foreclosure.
3. Other assets in payment of a loan.
4. An equity interest in either the borrower or its assets in lieu of its receivable.
5. A modification of the debt terms, including, but not limited to the following:
 - a. Reduction in stated interest rate.
 - b. Extension of maturity.
 - c. Reduction in the face amount of the debt.
 - d. Reduction in the accrued interest.

Include:

1. Restructured real estate loans that are considered equity investments under GAAP and that you reported on SC45, Real Estate Held for Investment.
2. Restructured loans that you reported on SC230 through SC265 (Mortgage Loans) and SC300 through SC345 (Nonmortgage Loans).
3. Foreclosed assets that you reported on SC405 through SC430 (Reposessed Assets).
4. Troubled debt restructurings even if you recorded no losses this quarter.

VA940: Amount this Quarter

Report the amount of new TDR this quarter. Report the recorded investment less specific valuation allowances in the restructured asset after restructuring. The **recorded investment** is the outstanding principal balance, adjusted for charge-offs and unamortized yield adjustments. The restructured asset would comprise, for instance, a modified loan or foreclosed asset. Report all new TDR even if you subsequently sold or otherwise disposed of the asset during the quarter.

VA941: Amount Included in Statement of Condition

Report the recorded investment less specific valuation allowances of the restructured asset. Report all troubled debt restructurings that remain on the books at the end of the quarter, regardless of the quarter in which the restructuring took place.

In general, you should continue to report loans in this data field until they are paid off. However, you only need to report a troubled debt restructuring that yields a market rate at issuance during the first year of the restructuring if the borrower complies with the terms of the restructured contract.

Mortgage Loans Foreclosed during the Quarter

Report the **recorded investment** less specific valuation allowances of mortgage loans foreclosed during the quarter.

Include the types of mortgages that you reported on SC230 through SC265 and real estate loans that are considered equity investments under GAAP that you reported on SC45, that you either foreclosed on and acquired a voluntary deed in lieu of foreclosure or on which you performed an in-substance foreclosure during the quarter.

Note: Even though foreclosed real estate loans that are considered equity investments under GAAP are reported here as foreclosures, do not transfer them on Schedule SC to Repossessed Assets, SC405 through SC428. These foreclosures should remain in Real Estate Held For Investment, SC45.

Report all foreclosures during the quarter, even if you have sold or otherwise disposed of the property since foreclosure.

Include:

1. Cancellations of real estate contracts or similar actions where you reacquire any property you previously owned that you sold on contract or on installment basis.
2. FHA/VA mortgage loans, other federally insured or guaranteed mortgage loans, or privately insured mortgage loans that have been foreclosed, whether or not title has been subsequently transferred to the insurer.
3. The portion of participations that you held at the time of foreclosure whether or not you were the lead lender or initiated foreclosure proceedings.
4. Loans and participations that you sold with recourse and reacquired prior to foreclosure. If you reacquired a loan and obtained a foreclosure judgment, in fact or in substance, in the same quarter, report it as a purchase on CF280 through CF300, Loans and Participations Purchased, and as a foreclosure on VA950.

Do not include:

1. Loans to which title reverted to the seller prior to foreclosure.
2. Loans serviced for others unless you reacquired the loan prior to foreclosure.

VA95: Total

The EFS software will compute this line as sum of VA951 through VA955.

VA951: Construction

Report foreclosures during the quarter on loans that you previously reported on SC230 through SC240, Mortgage Construction Loans, and SC450 through SC470, Real Estate Held for Investment.

Permanent Loans Secured By:**VA952: 1-4 Dwelling Units**

Report foreclosures during the quarter on permanent mortgages secured by one-to-four dwelling unit property that you previously reported on SC250 and SC253, Permanent Mortgages on 1-4 Dwelling Units.

VA953: 5 or More Dwelling Units

Report foreclosures during the quarter on permanent mortgages secured by five or more dwelling unit property that you previously reported on SC256, Permanent Mortgages on 5 or More Dwelling Units.

VA954: Nonresidential (Except Land)

Report foreclosures during the quarter on permanent mortgages secured by nonresidential property that you previously reported on SC260, Permanent Mortgages on: Nonresidential Property (Except Land).

VA955: Land

Report foreclosures during the quarter on permanent mortgages secured by land that you previously reported on SC265, Permanent Mortgages on Land.

Classification of Assets

Report **classified assets** and assets designated **special mention**, net of related specific valuation allowances, accumulated charge-offs, and recorded liabilities. Include off-balance-sheet items, such as loan commitments, loans sold with recourse, and lines and letters of credit that you are required to classify.

End of Quarter Balances:**VA960: Special Mention**

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter that are not classified but are designated as **special mention** pursuant to the Thrift Activities Handbook Section 260 and 12 CFR § 560.160.

VA965: Substandard

Report all assets, portions of assets, and off-balance-sheet items as of the end of the quarter classified as **substandard** pursuant to the Thrift Activities Handbook Section 260 and 12 CFR § 560.160.

VA970: Doubtful

Report all assets, portions of assets, and off-balance-sheet items classified **doubtful** as of the end of the quarter pursuant to the Thrift Activities Handbook Section 260 and 12 CFR § 560.160.

VA975: Loss

Report all assets, portions of assets, and off-balance-sheet items classified **loss** as of the end of the quarter pursuant to Thrift Activities Handbook Section 260 and 12 CFR. § 560.160.

You should deduct any related specific valuation allowances, accumulated charge-offs, and recorded liabilities prior to reporting the amount of assets classified **loss**. Accordingly, you should generally report zero in this data field.

